Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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PAGE 01 MANILA 00476 01 OF 02 111007Z
ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 CIAE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01
LAB-04 SIL-01 OMB-01 STR-04 CEA-01 NEA-10 IO-13 /108 W
----------111010Z 002456 /11
P 110839Z JAN 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 4720

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 0476

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FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 6/30/79
TAGS: EAID, EFIN
SUBJECT: PROPOSED APPOINTMENT OF SPECIAL REPRESENTATIVES

SUMMARY: ADB PRESIDENT PROPOSES TO AUTHORIZE APPOINTMENT OF SPECIAL REPRESENTATIVES TO BE ATTACHED TO OFFICE OF CERTAIN DIRECTORS DURING PERIOD JUNE 1977 TO MAY 1979. PROPOSAL WAS INSTIGATED BY CANADIAN AND BRITISH DIRECTORS IN EFFORT TO PROVIDE INTERIM SOLUTION TO DIFFICULTIES THEY CLAIM THEIR VOTING GROUPS HAVE IN MATTER OF REPRESENTATION IN BOARD OF DIRECTORS. PROPOSAL FOR SPECIAL REPRESENTATIVES IS BROADLY COMPARABLE (EXCEPT IN CRITERIA INVOLVED) TO SCHEME FOR ADVISORS TO DIRECTORS ADOPTED BY WORLD BANK IN 1973. ELIGIBILITY FOR APPOINTMENT OF SPECIAL REPRESENTATIVE UNDER PROPOSAL WOULD BE LIMITED BY FOLLOWING TWO MAIN CRITERIA: (I) DIRECTOR, ALTERNATE AND SPECIAL REPRESENTATIVE WOULD EACH HAVE TO BE NATIONAL OF DIFFERENT CONSTITUENT COUNTRY OF DIRECTOR'S VOTING GROUP, AND (II) VOTING GROUP SHOULD HAVE AGGREGATE VOTING POWER OF MORE THAN SEVEN PERCENT OF

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TOTAL VOTING POWER OF BANK MEMBERS. NAC GUIDANCE IS REQUESTED. END SUMMARY.

1. ADB DIRECTOR FOR VOTING GROUP CONSISTING OF CANADA, DENMARK, FINLAND, NORWAY, SWEDEN AND NETHERLANDS, AND DIRECTOR FOR AUSTRIA, GERMANY AND U.K. VOTING GROUP HAVE SENT JOINT LETTER TO ADB PRESIDENT PROPOSING APPOINTMENT

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

OF "SPECIAL REPRESENTATIVES." SUCH SPECIAL REPRESENTATIVES WOULD BE ATTACHED TO OFFICE OF CERTAIN DIRECTORS FOR PERIOD JUNE 1977 TO MAY 1979, WHICH IS TERM OF NEXT BOARD OF DIRECTORS. PURPOSE OF PROPOSAL IS TO PROVIDE INTERIM SOLUTION TO WHAT CANADIAN AND U.K. DIRECTORS REFER TO AS DIFFICULTIES IN MATTER OF REPRESENTATION IN BOARD EXPERIENCED BY COUNTRIES BELONGING TO CERTAIN VOTING GROUPS.

2. PROBLEM FOR CANADIAN-LED VOTING GROUP ARISES FROM SITUATION WHERE THERE ARE SIX COUNTRIES REPRESENTED HAVING TOTAL VOTING POWER OF 9.519 PERCENT. WITH ITS VOTES AMOUNTING TO OVER HALF THAT OF TOTAL VOTING GROUP, CANADA INTENDS TO HOLD A DIRECTORSHIP AT ALL TIMES HEREAFTER. ON THIS BASIS, OTHER FIVE COUNTRIES IN VOTING GROUP WILL HAVE LIMITED OPPORTUNITY TO MAINTAIN CLOSE WORKING RELATIONSHIPS WITH BANK. IN THIS REGARD, IN DECEMBER 1975 BOARD AGREED TO APPOINTMENT OF DANISH ADVISOR, PAID FOR BY DANISH GOVERNMENT, WHOSE TERM OF OFFICE WAS TO BE CO-TERMINUS WITH THAT OF PRESENT CANADIAN DIRECTOR.

3. OF 7.875 PERCENT TOTAL VOTING POWER FOR VOTING GROUP WITH U.K. DIRECTOR, GERMANY HAS 4.633 PERCENT, U.K. 2.439 PERCENT AND AUSTRIA 0.803 PERCENT. IN 1971, THREE COUNTRIES ENTERED INTO BOARD ROTATION AGREEMENT FOR PERIOD UP TO 1979, WITH NO CONSIDERATION GIVEN TO ANY CHANGES DURING THIS PERIOD. DURING TWO YEAR PERIODS 1971-73 AND 1973-75, RESPECTIVELY, THERE WAS GERMAN
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DIRECTOR ON BOTH OCCASIONS WHILE U.K. AND AUSTRIA TOOK TURNS TO PROVIDE ALTERNATE. FOR CURRENT (1975-77) PERIOD, THERE IS U.K. DIRECTOR AND GERMAN ALTERNATE. HOWEVER, FOR 1977-79 PERIOD THERE WILL BE U.K. DIRECTOR AND AUSTRIAN ALTERNATE. THIS MEANS GERMANY, WHICH MADE RECENT SPECIAL CAPITAL CONTRIBUTION AND HAS OVER HALF OF TOTAL VOTES OF VOTING GROUP, WOULD HAVE NO DIRECT REPRESENTATION AT BANK FOR NEXT TWO YEARS.

4. TWO CRITERIA FOR ELIGIBILITY OF ANY VOTING GROUP TO APPOINT SPECIAL REPRESENTATIVE UNDER PROPOSED ARRANGEMENT ARE (A) THAT DIRECTOR, ALTERNATE AND SPECIAL REPRESENTATIVE EACH BE NATIONAL OF DIFFERENT CONSTITUENT COUNTRY OF DIRECTOR'S VOTING GROUP, AND (B) VOTING GROUP SHOULD HAVE AGGREGATE VOTING POWER OF MORE THAN SEVEN PERCENT OF TOTAL VOTING POWER OF MEMBERS OF BANK. IN ADDITION TO ABOVE TWO NON-REGIONAL VOTING GROUPS, TWO REGIONAL VOTING GROUPS, AS BOARD IS PRESENTLY CONSTITUTED, WOULD BE ELIGIBLE: COOK ISLANDS/FIJI/INDONESIA/ NEW ZEALAND/

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

TONGA/WESTERN SAMOA WITH 9.640 PERCENT AND BURMA/
MALAYSIA/NEPAL/SINGAPORE/THAILAND WITH 7.296 PERCENT.

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PAGE 01 MANILA 00476 02 OF 02 111013Z
ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 CIAE-00 PM-04 H-01 INR-07 L-03
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LIMITED OFFICIAL USE SECTION 2 OF 2 MANILA 0476

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5. UNDER PROPOSAL, EACH SPECIAL REPRESENTATIVE WOULD RECEIVE SAME SALARY BENEFITS, ALLOWANCES AND OTHER COMPARABLE FACILITIES AS BANK PROVIDES TO ALTERNATE DIRECTORS. COST OF SALARIES AND BENEFITS OF EACH SPECIAL REPRESENTATIVE IS ESTIMATED TO BE ABOUT $45,000 EACH YEAR.

6. AS FAR AS CANADA IS CONCERNED, PRESENT PROPOSAL IS ONLY INTERIM MEASURE DUE TO TIME FACTOR, AND HIS GROUP INTENDS TO FOCUS ITS ATTENTION ON EXPANSION OF BOARD OF DIRECTORS IN 1979. HOWEVER, ACCORDING TO U.K. DIRECTOR, PROPOSAL DOES NOT REALLY SOLVE PRESENT PROBLEM FOR GERMANY. BEGIN FYI: U.K. DIRECTOR SAID GERMANY TRIED TO GET AUSTRIA TO GIVE UP ALTERNATE DIRECTORSHIP FOR 1977-79 BUT AUSTRIA WAS ADAMANT. U.K. DIRECTOR ALSO SAID HE EXPECTS AUSTRIA TO LEAVE THEIR VOTING GROUP IN 1979. HE INDICATED HE IS TRYING TO GET U.K. TO INCREASE ITS CAPITAL CONTRIBUTION, ALTHOUGH HE IS NOT OPTIMISTIC UNDER CURRENT CIRCUMSTANCES. NON-REGIONAL VOTING GROUP CONSISTING OF BELGIUM/FRANCE/ITALY/ SWITZERLAND WOULD LIKELY
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Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

SUPPORT ANY EFFORT IN 1979 FOR BOARD EXPANSION, IN ORDER TO PROTECT ITS PRESENT SITUATION DESPITE MEAGER 5.502 PERCENT VOTING POWER. ALSO, SEVERAL REGIONAL VOTING GROUPS HAVE CONSIDERABLE INTEREST IN EXPANSION OF BOARD. END FYI.

7. ARGUMENT CAN BE MADE THAT CANADA HAS NO PROBLEM ITSELF, AND THAT USE OF PRESENT ADVISOR ARRANGEMENT COULD CONTINUE TO PERMIT ADEQUATE REPRESENTATION FOR HIS VOTING GROUP. SIMILAR ADVISOR ARRANGEMENT WOULD ALSO PERMIT REPRESENTATION OF GERMANY DURING NEXT TWO YEARS, ALTHOUGH FACT THAT GERMANY ON DIFFERENT LEVEL FROM SMALL CONTRIBUTORS IN VOTING GROUP HEADED BY CANADA. PROPOSAL FOR SPECIAL REPRESENTATIVES ALSO DIFFERS FROM ADVISOR IN THAT PROPOSED POSITION WOULD BE FORMALLY AUTHORIZED BY BANK. ON THIS BASIS, BANK WOULD HOPE TO BE ABLE TO OBTAIN FROM PHILIPPINE GOVERNMENT APPROPRIATE RECOGNITION OF STATUS OF SPECIAL REPRESENTATIVE UNDER SECTION 44 OF HEADQUARTERS AGREEMENT, WHICH BANK HAS NOT BEEN SUCCESSFUL IN DOING FOR PRESENT DANISH ADVISOR. PROPOSED ARRANGEMENT WOULD COST BANK CONSIDERABLE SUM EACH OF NEXT TWO YEARS FOR SALARIES, BENEFITS AND ADMINISTRATIVE SUPPORT OF FOUR SPECIAL REPRESENTATIVES. IN GENERAL COUNSEL'S OPINION, SUCH APPOINTMENTS CAN BE AUTHORIZED WITHOUT ANY AMENDMENT TO CHARTER OF BY-LAWS. AUSTRALIAN DIRECTOR AND INDIAN ALTERNATE DIRECTOR HAVE EXPRESSED PERSONAL OPPOSITION TO GENERAL PROPOSITION IN INFORMAL DISCUSSIONS AT DIRECTORS' COFFEE SESSIONS.

8. ADB DOC. EX-R1-77 ON ABOVE SUBJECT WAS POUCHED JANUARY 11 AND WILL BE CONSIDERED BY BOARD OF DIRECTORS ON FEBRUARY 8. NAC GUIDANCE IS REQUESTED.
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Message Attributes

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22 May 2009
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